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CHILTON'S

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THE TRANSPORTATION & BUSINESS LOGISTICS MAGAZINE

JUNE 1987

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...USING CASE STUDIES

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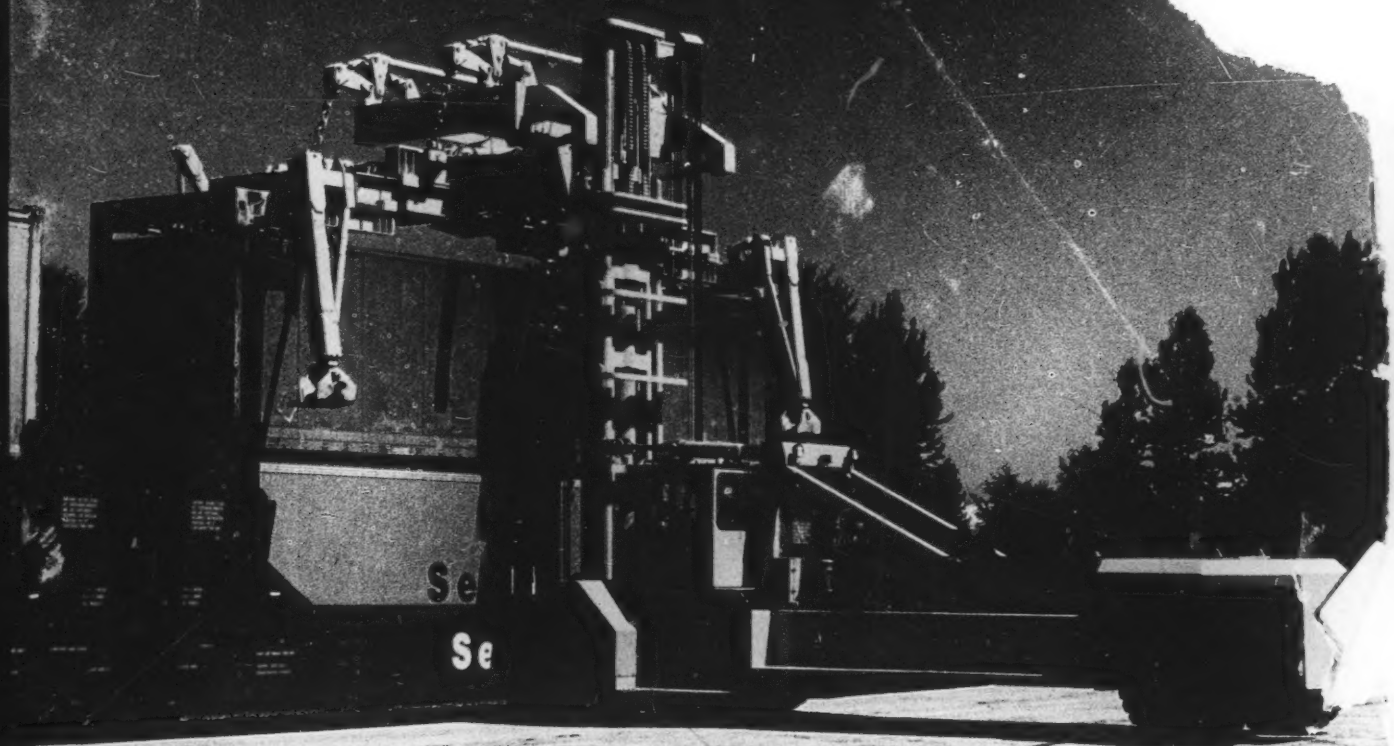

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...TH ABOUT REBATES

...AREER PRIMER

EDI: DATA ON THE FAST TRACK

THE COMPUTER EXPO CATALOG

VOL. 86, NO. 6

CHILTON'S
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JUNE 1987

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14 PICKING UP ON INTERMODAL'S PROMISE
Intermodal traffic is growing, but for shippers, a few nagging issues still lurk. The quality of service from the railroads, a growing list of middlemen, and liability problems remain question marks.

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These three companies are showing that it's not how much transportation costs that counts; it's what you get for your buck.

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AUDITING THE AUDITORS

Shippers generally favor the use of freight bill auditing services, according to the responses to our April Dialogue card. There were qualifications to these favorable responses, however, and there was a vocal minority who feel auditors are a waste of money—performing services shippers are better able to do themselves. Apparently, numerous shippers have been burned by disreputable auditors, and thus the greatest caveat is to thoroughly check out an auditing service before signing up.

"Do a background check that includes looking into the relationships the auditor has with various carriers. Remember, the auditing firm will be using your company's name as its own."—**Donald A. Nichols, distribution manager, Guardian Industries Corp., Carleton, MI.**

"Be sure that your auditor is aware of all your pricing programs which affect the bills being audited."—**Ron Skjefstad, traffic & distribution manager, SICO Inc., Minneapolis.**

continued

Average number of freight bills audited per month:	
in-house by hand	4,032
in-house by computer	2,546
by an auditing firm	2,900
by outside computer base	2,250
Approximate freight bill expenditures:	
$0 to $100,000	9%
$100,000 to $500,000	15%
$500,000 to $1 million	15%
$1 million to $5 million	24%
$5 million to $50 million	33%
Which bills represent largest number of errors?	
LTL	71%
Rail	13%
Rate the service of your auditing firm on a scale of 1 (highest) to 5 (lowest):	
volume of bills audited	2.0
amount of recoveries	2.5
speed of processing	2.2
cost of service	1.9

QUESTION OF THE MONTH

ARE YOU READY FOR 'COMPETITIVENESS'?

The alarming deficits in our international balance of trade have again focused national attention on the need for more U.S. exports. With the falling dollar making our goods more price-competitive overseas, many U.S. manufacturers are again looking at the sales and profit opportunities in overseas markets. To help spur us toward greater export success, the politicians have even invented the buzzword "competitiveness" to explain the obvious need to make better products and to use better marketing and distribution strategies.

The question we have for our readers is, Do they think their companies and their departments are really competitive when it comes to exporting products? Do we have the expertise to distribute overseas as well as we do in the U.S.? What are the things we have to do better? Do we have the will to improve our international distribution methods to beat out Japanese and German competitors?

Let us know where you think the U.S. stands in the world marketplace by answering the questions on the card below.

DIALOGUE June 1987

• I would rate the export expertise of our company now as:
_____Sadly lacking
_____No worse than other U.S. companies
_____As good as our foreign competitors
_____Great! Bring on the competition!

• For my company to be more export competitive, we need to know more about (check all that apply):
_____Simple things like documentation, trade terms, etc.
_____International transportation services
_____How distribution is done overseas
_____How our foreign competitors operate
_____Other _____

• To help my company get more export competitive, I'd be willing to (check all that apply):
_____Take courses on my own time to learn more.
_____Take on exports in addition to my current work.
_____Travel overseas to visit shows, customers, carriers, etc. to set up a distribution network.
_____Move overseas to operate our international distribution network.

My advice for any company trying to be more export competitive is:

_____

_____

_____

_____

_____

_____

NAME (print) _____ TITLE _____

COMPANY _____ PHONE _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

FIGURES IN SPEECH

(Quotes from transportation and distribution notables that have caught the ears of DISTRIBUTION editors:)

"Railroads today have the unique opportunity to create something the truckers have had for decades—a transportation network. Interline services with run-through trains, joint terminals, common use of freight cars and locomotives are all part of what is involved, and we have the wherewithal to manage it to the benefit of the customer."—**L. Stanley Crane, chairman and CEO, Conrail, at the International Intermodal Expo.**

•

"Had this (Consumers United For Rail Equity) bill been written in Economics 101 class, its drafters would have long ago flunked out. How does it help you if railroads are forced to retain and finance excess capacity? How does it help you if railroads are subject to intrastate regulation that would put increased upward pressure on interstate rates? In other words, how were things for you during the 1970s, when some railroads were bankrupt, equipment shortages were rampant, rail service was uneven, and speeds were kept as low as 10 miles per hour because we couldn't afford to maintain our track?"—**William H. Dempsey, pres., Ass'n of American Railroads.**

AUDITING THE AUDITORS continued from p. 7

"Check the auditing firms' track record in terms of timeliness of payments. Aged accounts receivables can cause your freight costs to rise as much as five percent."—**Tim Kubiak, transportation manager, Volvo White Truck Corp., Greensboro, NC.**

"Pay close attention to what the firm expects of you. If they want nothing more than bills to look at they aren't doing their job. Surprisingly, many firms don't ask to see your contracts or the tariffs the carriers are using to rate your bills."—**W. James, traffic manager, Superior Fireplace Co., Fullerton, CA.**

"Request timely returns on a predetermined schedule. Negotiate the rate. The usual 50/50 split is no good. Simplified TL and LTL rates streamline a system so that post-audits come up with very little."—**Gregory J. Duplin, distribution services manager, Tite Hoover Co., North Canton, OH.**

"Unless you can provide F.O.B. terms in and out and proper classifications, auditors will only be able to recover duplicate payments and extension errors. A more in-depth analysis needs to be done by the shipper before benefits of audits reach an optimum level."—**Jack J. Hanus, corp. transportation manager, Miller Electric Manufacturing Co., Appleton, WI.**

"Get an auditor who can explain to you what he's doing and why, then maybe you can correct some of the errors prior to submitting invoices for audit. Also, the auditor should support all reductions in writing, stating tariff and item number used for the reduction."—**Terry J. Eickman, corporate director of traffic, Portec Inc., Oak Brook, IL.**

"Start with a good pre-audit program. This practically eliminates the need for a post-audit. Pay freight charges directly to the bank, not to the audit firm. This protects you from audit firm insolvency or failure to forward funds."—**Paul Weber, national physical distribution manager, Agfa Gevaert Inc., Teterboro, NJ.**

"An outside audit firm is no substitute for an in-house pre-audit. Remember, on a 50-50 split you don't save 50%, you *lose* 50%. Do your own pre-audit first, then send the bills out for post audit."—**James J. Paule, traffic manager, Spangler Candy Co., Bryan, OH.**

"Do it yourself with a service such as Numerax or with software. The use of an audit firm is a waste of money. Most audit firms do not have all discount information, and therefore can't do a good job."—**Henry M. Peckham, Southern Flavoring Co., Bedford, VA.**

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